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Foreign Service of the
United States of America

TELEGRAM 15

INCOMING AMEMBASSY PARIS

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UNCLAS- ZURICH 0098

STATE PASS HSCE FOR GEN SCOWCROFT AND NESSEN

E.O. 11652: N/A

TAGS: OVIP (KISSINGER, HENRY A)

SUBJECT: PRESS CONFERENCE OF SECRETARY KISSINGER AND SHAH OF IRAN
AT ZURICH, FEBRUARY 18, 1975

FOLLOWING IS TRANSCRIPT OF PRESS CONFERENCE HELD BY SECSTATE
AND HIM SHAH OF IRAN AT 16:00 HOURS LOCAL AT CONCLUSION OF LUNCH
HOSTED BY HIM AT DOLDER GRAND HOTEL IN ZURICH, FEBRUARY 1. PRESS
CONFERENCE WAS HELD IN SETTING OF GREAT CRUNCH AND CONFUSION AND PART
S

OF TEXTS OF QUESTIONS AND ANSWERS TOO GARBLED TO DECIPHER.
THESE PARTS ARE INDICATED IN TEXT.

QUESTION: IS IRAN PREPARED TO PLAY A ROLE IN THE SECRETARY'S STEP BY
STEP DIPLOMACY. SPECIFICALLY, I HAVE IN MIND SUPPLYING OIL TO ISRAEL
SHOULD ISRAEL BE COMPELLED TO GIVE UP THE SINAI OIL FIELDS.

ANSWER SHAH:

WEL I THINK THAT I HAVE ANSWERED THIS QUESTION BEFORE BY SAYING
THAT OUR POLICY IS TO SELL OIL TO (REMAINDER OF SENTENCE
INAUDIBLE). ONCE THE TANKERS ARE LOADED IT DOESN'T MATTER WHERE OR TO
WHOM THE OIL GOES BECAUSE IT IS A STRICTLY COMMERCIAL TRANSACTION FOR
MY COUNTRY.

QUESTION:

SO CERTAINLY YOU WOULD BE PART OF NO BOYCOTT OF ISRAEL WHICH SEEMS TO
BE GROWING BIG?

ANSWER SHAH:

WE HAVE NEVER REALLY BOYCOTTED ANYBODY - IT IS NOT PART OF OUR POLICY
WE THINK THAT POLITICS AND COMMERCE ARE SEPARATE. WE HAVE NOT TAKEN P
ART
IN THE FIRST OIL EMBARGO AND WE WILL NOT TAKE PART IN ANY OTHER EMBAR
GO.
NO EMBARGO CAN WORK ANYMORE BECAUSE WE HAVE TREMENDOUS OIL RESERVES I
N

BOTH EUROPE AND OTHER COUNTRIES OF THE WORLD. I BELIEVE THEY HAVE 90
DAYS RESERVE AND TODAY'S WARS CANNOT LAST MORE THAN 3 WEEKS. SO I
DON'T REALLY BELIEVE IN THAT. BUT IF IT COMES WE ARE NOT GOING TO PUT
AN EMBARGO ON OIL.

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QUESTION

YOUR MAJESTY - YOU AND THE SECRETARY DISCUSSED PRICES SURELYBM WHAT DO YOU SEE AS A FUTURE PRICE (INAUDIBLE) AND MR. KISSINGER'S PLAN FOR A FLOOR PRICE ON OIL?/

ANSWER SHAH:

WE ARE GOING TO GO TO THE OPEC MEETING IN ALGIERS VERY SOON. ANYTHING I SAY BEFORE THAT MEETING YOU WILL HEAR ABOUT. WHAT I WANT TO SAY NOW IS THAT IN MY OPINION FOR GOOD OR BAD, THE PRICE OF OIL HAS INCREASED. IF WE CONSIDER INFLATION, AND THAT THE WESTERN COUNTRIES OR THE INDUSTRIALIZED COUNTRIES ARE SELLING THEIR GOODS TO US AT ABOUT 35 PERCENT MORE, AND THEN, WITH THE DEVALUATION OF THE DOLLAR, IN THE MATTER OF FACT OF PURCHASING POWER A BARREL OF OIL CORRESPONDS TODAY TO ABOUT SEVEN OR EIGHT DOLLARS, IF YOU WANT MY OPINION. SO THE PRICE OF OIL HAS GONE UP.

QUESTION:

EXCUSE ME, BUT THAT BRINGS UP INDEXING, WE ARE FAMILIAR WITH YOUR POSITION. ARE YOU AND THE SECRETARY GETTING TOGETHER ON A VIEW OF THE VALUE OF INDEXING?

ANSWER SHAH

IN PRINCIPLE HE AGREES WITH ME ON THE INDEXING OF PRICES. THE QUESTION IS A FLOOR PRICE FOR OIL AND ALSO A FLOOR PRICE FOR OTHER COMMODITIES. BUT THE OTHER COMMODITIES ARE 20 OR 30 AND OIL IS ONE. IT WON'T BE EASY TO INDEX IT, BUT IT CAN BE DONE.

QUESTION:

MR. SECRETARY, WHAT WAS THE MAIN CONCERN BETWEEN YOURSELF AND HIS MAJESTY?

ANSWER, SECRETARY:

WELL, AS YOU KNOW, THE RELATIONS BETWEEN IRAN AND UNITED STATES ARE EXTREMELY CLOSE AND I THINK THAT HIS IMPERIAL MAJESTY AND I HAVE AGREED THAT THEY HAVE PROBABLY NEVER BEEN BETTER. THEREFORE, IT WAS NATURAL THAT AS A RESULT OF MY TOUR TO THE MIDDLE EAST I WOULD INFORM HIS IMPERIAL MAJESTY OF WHAT THE UNITED STATES IS INTENDING TO DO AND TO GET THE BENEFIT OF HIS ADVICE ON THOSE MATTERS. IT NATURALLY GAVE US AN OPPORTUNITY TO REVIEW OTHER ISSUES SUCH AS THE GENERAL ISSUE OF ENERGY AND THE BILATERAL IRANIAN/AMERICAN RELATIONS. WE WILL HAVE A MEETING IN WASHINGTON OF THE IRANIAN-U.S. COMMISSION (APPROXIMATELY 25 SECONDS INDECIPHERABLE QUESTIONS AND ANSWERS)

ANSWER SHAH:

I AM NOT ONE OF THOSE TO BELIEVE THAT THE PRICE OF OIL WILL GO LOWER...

QUESTION:

WILL GO UP, DID YOU SAY

ANSWER SHAH:

NO, GO LOWER. IF YOU FORCE US TO RAISE THE PRICES BY YOUR INFLATION IT MIGHT GO UP. BUT WHAT WILL BE THE PURCHASING POWER? I AM NOT INTERESTED IN RAISING THE PRICE OF OIL, BUT IF I HAVE TO GO AND BUY MORE EXPENSIVE GOODS. WHAT REALLY CONCERNS ME IS TO KEEP A CONSTANT PURCHASING POWER.

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QUESTION:

MR. SECRETARY, IN CONTEXT WITH HIS MAJESTY'S REMARKS ABOUT THE DECLINE OF THE DOLLAR, I UNDERSTAND THE UNITED STATES IS PLANNING TO DO SOMETHING ABOUT THE DOLLAR NOW.

ANSWER - SECRETARY:

AS I UNDERSTAND IT, THE VALUE OF THE DOLLAR HAS STABILIZED AND WE ARE VERY INTERESTED IN MAINTAINING IT. WE WILL DO OUR BEST TO DO SO.

QUESTION

WE HAVE NOT SEEN IT IN SWITZERLAND YET.

ANSWER: - SECRETARY:

IT WILL COME HERE - EVERYTHING COMES HERE SOONER OR LATER.

QUESTION:

WHAT, ACCORDING TO YOUR IDEAS, ARE THE MEANS OF GETTING DOWN INFLATION? FOR INSTANCE, YOU BUY PRODUCTS FROM INDUSTRIALIZED COUNTRIES BUT AT THE SAME TIME YOU ARE PAYING MUCH MORE - BUT WHAT IS THE WAY OUT?

ANSWER - SHAH

THE WAY OUT IS FOR YOU PEOPLE TO CHECK YOUR INFLATION.

QUESTION:

MR. SECRETARY, HOW CAN ONE CHECK THIS INFLATION?

ANSWER - SECRETARY:

THAT IS AN EXTREMELY COMPLICATED MATTER, BUT AS YOU KNOW THE ADMINISTRATION IS ATTEMPTING TO DEAL SIMULTANEOUSLY WITH BOTH INFLATION AND RECESSION AND WE AGREE WITH THE CONCERN OF HIS IMPERIAL MAJESTY ABOUT BRINGING INFLATION UNDER CONTROL, AND, ABOVE ALL, TO HAVE A FRUITFUL DIALOGUE.

QUESTION:

YOUR MAJESTY, I AM SORRY BUT WE DID NOT HEAR YOUR ANSWER ABOUT THE POSSIBILITY OF SELLING OIL TO ISRAEL, WOULD YOU PLEASE REPEAT IT?

ANSWER - SHAH:

I SAID THAT WHEN WE SELL OUR OIL AND FILL UP THE TANKERS IN OUR TERMINAL PORTS WE DO NOT MIND AND DO NOT CARE WHERE IT GOES.

QUESTION:

WOULD YOU BE WILLING TO PLAY AN ACTIVE ROLE IN PROMOTING STEP BY STEP DIPLOMACY?

ANSWER - SHAH:

I AM NOT ONE OF THOSE WHO LOSES HIS HEAD VERY EASILY IN BELIEVING THAT HE IS A BIG DEAL, BUT FOR THE LITTLE INFLUENCE THAT WE COULD EVENTUALLY HAVE, IS TO SEE EVERY POSSIBLE WAY OF DEFUSING THE PRESENT, MAYBE EXPLOSIVE SITUATION THAT WILL PERMIT MORE MEANINGFUL AND CONSTRUCTIVE TALKS LATER.

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QUESTION:

YOUR MAJESTY DO YOU BELIEVE THAT AFTER YOUR MEETING IN ALGIERS THE PRICE OF OIL WILL BE HIGHER?

ANSWER - SHAH:

I CAN'T SAY WHAT WILL BE THE RESULT OF THAT MEETING. THIS MEETING WILL PROBABLY STUDY WHAT TO DO IF THE INFLATION IN EUROPE AND ELSEWHERE CONTINUES. AND IF OUR PURCHASING POWER BECOMES LESS AND LESS WE WILL HAVE TO DEFEND OURSELVES SOMEHOW.

QUESTION:

YOU SEE A DIRECT LINK THEN BETWEEN INFLATION AND THE PRICE OF OIL THAT WILL BE SET. IF INFLATION GOES HIGHER, THE PRICE OF OIL COULD GO HIGHER?

ANSWER - SHAH

IF INFLATION GOES ON, THE PRICE OF EVERYTHING WILL GET OUT OF CONTROL.

QUESTION:

YOUR MAJESTY, HAVE YOU DISCUSSED WITH THE SECRETARY RECENT REPORTS THAT DIEGO GARCIA IS TO BE BUILT UP AS A NAVAL POSITION IN VIEW OF YOUR DISAGREEMENT WITH BIG POWERS MOVING IN THE INDIAN OCEAN?

ANSWER - SHAH:

I HAVE SPOKEN ABOUT IT BEFORE, BUT OUR PRINCIPAL FIRST CHOICE POLICY WILL BE FIRST TO SEE THE PERSIAN GULF AND THEN THE INDIAN OCEAN EVENTUALLY FREE OF OUTSIDE POWERS. THAT MEANS NON-RIPARIAN STATES. BUT AS LONG AS SOME POWERS ARE THERE, WE WOULD NOT ONLY NOT OBJECT TO THE PRESENCE OF THE UNITED STATES, BUT ON THE CONTRARY WE WOULD WELCOME IT.

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